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SUBJECT: TELECOM MINISTER SUPPORTS PRIVATIZATION, BROADBAND
CONNECTIVITY; (ECONOMIC WEEK IN REVIEW, JULY 21 - 27, 2008)

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TELECOM MINISTER SUPPORTS PRIVATIZATION,
BROADBAND CONNECTIVITY AMONG HIS TOP PRIORITIES

1. (SBU) During a meeting on July 24 between CDA Grant and Embassy
Officers and Minister of Post and Telecommunications Gebran Bassil,
the Minister indicated that he is a strong advocate of
privatization, although he recognizes that it will not be easy.
Meanwhile, Bassil noted that introducing broadband connectivity
would be one of his top priorities, and plans to start a pilot
project in a remote area in Lebanon. Bassil also noted that he will
get approval from PM Siniora and President Sleiman to unblock the
West Bank and Gaza 970 area code, allowing Lebanese residents to
make calls to that area (reftel).

NATURAL GAS TO LEBANON COULD BE RAISED DURING THE PRESIDENT'S
UPCOMING VISIT TO SYRIA

2. (SBU) Dr. Raymond Ghajar, Advisor at the Ministry of Energy and
Water (MEW), told us July 24 that he will ask new MEW Minister Alain
Tabourian to raise the issue of Syrian natural gas with President
Sleiman and ask that it be added to Sleiman's agenda to be discussed
during his forthcoming visit to Syria. Syria will swap Lebanon's
share of Egyptian natural gas with Syrian gas. Egypt has started
pumping natural gas to Syria, and Lebanon awaits its share. The
Treasury could save around \$200 million annually if northern
Lebanon's Beddaoui power plant starts operating on natural gas,
Ghajar remarked.

¶3. (SBU) Ghajar said that he will not recommend raising the MOU signed in the mid-nineties between Lebanon and Syria, whereby Syria would supply Lebanon with natural gas at much cheaper prices than today's rates. He does not believe this MOU is valid as Syria has repeatedly said it does not have sufficient quantities of gas for exports. Syria is currently supplying Lebanon with about 60 MGW of power during the night, which Ghajar deemed to be "fine, since Syria also suffers from power shortage," he remarked.

SLEIMAN'S TRIP TO SYRIA WILL BE ESSENTIALLY DIPLOMATIC

¶4. (SBU) Head of the Directorate General of Economic Affairs at the Presidential Palace Dr. Elie Assaf told us July 25 that President Sleiman's visit to Syria will "essentially be diplomatic." Assaf does not expect economic issues to be raised during this trip, as he would have been tasked to prepare for the talks. In the meantime, Assaf is compiling files regarding the Brotherhood and Coordination Treaty and subsequent agreements. Assaf said it is not clear yet when the President's visit will take place.

BOOZ ALLEN HAMILTON DELEGATION IN LEBANON
TO FOLLOW UP ON WTO ACCESSION PROJECT

¶5. (SBU) On July 22, a delegation from Booz Allen Hamilton (BAH) met with Minister of Economy and Trade Mohammad Safadi as well as Embassy Officers to discuss progress of the BAH/WTO Accession project, based at the Ministry of Economy and Trade (MOET) and currently funded by MEPI. In the coming months, BAH will be working on preparing a study on the impact of WTO accession in Lebanon and a

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communication strategy to increase public awareness and highlight the benefits of accession. During the meeting at the MOET, Minister Safadi expressed his personal belief that Lebanon must join the WTO, although he admitted that accession "would not be easy."

IMF AWAITING GOL ON HOW TO PROCEED FOLLOWING THE END OF THE
EMERGENCY POST-CONFLICT ASSISTANCE

¶6. (SBU) IMF Resident Representative Ed Gardner told us on July 24 that the IMF "is waiting for the new government to approach the IMF" regarding future developments following the expiration of the Emergency Post-Conflict Assistance (EPCA) program at the end of ¶2007. The new government has to decide if it wants a new EPCA program or just a review of macroeconomic, fiscal, and monetary indicators, he said. An IMF mission was in Beirut last May to discuss and negotiate with former Finance Minister Azour and Central Bank Governor Salameh on monitorable actions, as well as monetary and fiscal targets for 2008, but had to leave following the May clashes.

CONSUMER PRICE INDEX UP BY 4.47
PERCENT IN SECOND QUARTER 2008

¶7. (U) According to the Consumer Lebanon (CL) association, the consumer price index rose by 4.47 percent in the second quarter of ¶2008. CL noted that had it not been for the slight decrease in the prices of fruits and vegetables during the last two weeks of the second quarter, the consumer price index would have risen by more than ten percent.

ASSETS OF LEBANESE RESIDENTS AND
NON-RESIDENTS ESTIMATED AROUND \$300 BILLION

¶8. (U) On July 19, Central Bank of Lebanon (CBL) Governor Riad Salameh noted that the assets of Lebanese residents and non-residents are estimated at around \$300 billion, while the balance sheet of Lebanese commercial banks locally and abroad amount to \$110 billion. Salameh noted that capitalization of the Beirut Stock Exchange (BSE) rose from \$13 billion at end-2007 to around \$16

billion at end-May 2008. Meanwhile, he noted that the prices of real estate rose between 30 to 40 percent. Salameh also stated that imported inflation reduced Lebanon's purchasing power by 15 percent and that the only way to improve purchasing power and reduce the brain drain was through the implementation of structural reforms.

EIGHT LEBANESE BANKS AMONG
TOP 1000 BANKS WORLDWIDE

19. (U) Eight Lebanese banks were included in The Banker magazine's 2008 annual survey of the world's top 1000 commercial banks. The banks and their respective rankings worldwide are: Bank Audi Saradar (336), BLOM Bank (397), Byblos Bank (545), Fransabank (723), Banque Libano-Francaise (728), BankMed (765), Bank of Beirut (772), and Credit Libanais (957) which was included in the survey for the first time. At the same time, Bank Audi Saradar ranked 25 among Arab banks. The Banker's ranking is based on the latest available figures of Tier I capital of banks.

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